

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-07 L-03 ACDA-07
NSAE-00 PA-01 SS-15 PRS-01 SP-02 USIA-06 TRSE-00
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INFO JCS WASHDC
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY PARIS
USNMR SHAPE BE
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 01 OF 02 NATO 08083

E.O. 11652: GDS
TAGS: MARR NATO
SUBJECT: MEETING OF CENTRAL EUROPE PIPELINE POLICY
COMMITTEE (CEPPC) AT DEPUTY PERMANENT REPRESENTATIVE
LEVEL, 23 AUGUST 1977

REF: AC/120-R/242, 28 JUNE 1977
SUMMARY: CONSIDERABLE PROGRESS WAS MADE IN THE MEETING OF
THE DEPUTY PERM REPS ON 23 AUGUST 1977 ON CENTRAL EUROPE
PIPELINE SYSTEM (CEPS) FINANCIAL PROBLEMS. ALL POINTS IN
THE DRAFT COMPROMISE AGREEMENT HAVE SOLIDIFIED EXCEPT FOR
THE EFFECTIVE DATE OF ELIMINATING TVA TAXES (A COMPROMISE
BETWEEN 1 JANUARY 1978 AND 1 JANUARY 1977 IS POSSIBLE),
PROTECTION AGAINST UNREASONABLE HOST NATION SECURITY RE-
QUIREMENTS, AND ELIMINATION OF PROFIT TAXES (THE FRENCH
HAVE PROPOSED AN UNSPECIFIED REDUCTION IN CURRENT LEVEL OF
TAXES WHILE MAINTAINING THE PRINCIPLE OF THEIR RIGHT TO TAX
CIVIL MOVEMENTS). IN SUBSEQUENT MEETING AT NORMAL LEVEL,
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THE CEPPC AGREED TO EXTEND GENERAL MANAGER'S CONTRACT
THROUGH FEBRUARY 1979. END SUMMARY.

1. THE FOLLOWING HIGHLIGHTS OF THE DISCUSSION BY DEPUTY
PERM REPS ARE KEYED TO THE DRAFT GENERAL COMPROMISE AGREE-
MENT (ANNEX II, REFERENCE DOCUMENT):

POINT 2. NON-MILITARY TARIFFS. THE COMMITTEE REVIEWED THE EXPLANATION FOR THE REASONS FOR THE TARIFF PROPOSAL, AND THE MINUTES OF THE PREVIOUS MEETING (REFERENCE DOCUMENT) WERE MODIFIED TO READ: "3. DEPUTY PERMANENT REPRESENTATIVES AMENDED AND ACCEPTED THE NEW TEXT OF POINT 2. THE THIRD SENTENCE (THE EXPLANATION OF THE REASONS FOR TARIFF PROPOSALS) WAS UNDERSTOOD TO COMPRISE ECONOMIC BACKGROUND THAT WOULD ENABLE OTHER MEMBER COUNTRIES TO UNDERSTAND THE NATIONAL POLICY UPON WHICH THE TARIFF IS BASED AND TO SATISFY THEMSELVES THE CEPS INTERESTS WERE PROTECTED."

POINT 4. COUNTERBALANCE TO CURRENCY FLUCTUATIONS. THE FRENCH ACCEPTED THE MODIFIED CENTRAL EUROPE OPERATING AGENCY (CEOA) PROPOSAL ADAPTING VALUE OF CEPS UNITS TO EXCHANGE RATE FLUCTUATIONS.

POINT 5. TRAPIL REMUNERATION. THE COMMITTEE RECONFIRMED THAT THERE WOULD BE VISIBLE ACCOUNTING OF ALL CIVIL MOVEMENT TARIFFS PAYED TO TRAPIL.

POINT 7. PERSONNEL AND GUARDING. THERE WAS A DELAY IN THE ACCEPTANCE OF POINT 7 BECAUSE GUARDING CRITERIA HAVE NOT BEEN APPROVED BY THE CENTRAL EUROPE PIPELINE OFFICE (CEPO) OR CEPPC. CHAIRMAN OF CEPO (GENERAL SMITH) AGREED TO GET HIS COMMITTEE TOGETHER TO FIND A SOLUTION IF POSSIBLE BEFORE THE NEXT MEETING OF THE DEPUTY PERM REPS.
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POINT 8. SECURITY REGULATIONS. THE COMMITTEE COULD AGREE TO THIS ITEM OF THE COMPROMISE AGREEMENT PROVIDING IT IS MODIFIED TO PROVIDE PROTECTION AGAINST UNREASONABLE HOST NATION REQUIREMENTS FOR WHICH CEPS WOULD HAVE TO PAY 50 PERCENT OF THE COSTS. THE UNITED STATES WAS REQUESTED TO DRAFT A NEW PROPOSAL THAT WOULD ACCOMPLISH THIS PURPOSE.

POINT 9. TVA TAXES. HOST NATIONS AGREED TO ELIMINATE ALL VALUE ADDED TAXES, HOWEVER, THE DATE OF IMPLEMENTATION IS IN DISPUTE. ALTHOUGH THE ORIGINAL AGREEMENT CALLS FOR ELIMINATION OF THESE TAXES AS OF 1 JANUARY 1977, THE FRENCH SOUGHT THE DATE OF 1 JANUARY 1978, AND, BASED ON SUGGESTION OF US REP (GLITMAN), A COMPROMISE WITH IMPLEMENTATION ON OR ABOUT 1 SEPTEMBER 1977 MAY BE REACHED IN THE NEAR FUTURE.

POINT 10. POL TAXES. HOST NATIONS AGREED TO THE USE OF DOMESTIC FUEL FOR CEPS PUMP STATIONS AT LOWER COST THAN UNTAXED VEHICULAR FUELS.

POINT 11. PROFITS TAXES. THE FRENCH REFUSED TO ELIMINATE THE PROFIT TAXES, BUT AGREED TO A REDUCTION IN THE CURRENT

LEVEL OF TAXES TO MAINTAIN THE PRINCIPLE OF THEIR RIGHT TO TAX CIVIL MOVEMENTS. THE COMMITTEE AGREED TO CONSIDER A FRENCH PROPOSAL WHICH WOULD RESULT IN A SUBSTANTIAL REDUCTION OF THE COST TO CEPS.

2. COMMITTEE AGREED TO MEET NEXT ON 2 SEPTEMBER 77.

3. AFTER CONCLUSION OF THE MEETING AT DEPUTY PERM REP LEVEL, THE COMMITTEE (AT NORMAL LEVEL) RECONVENED ON THE

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 PM-05 INR-07 L-03
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C O N F I D E N T I A L SECTION 02 OF 02 NATO 08083

PROPOSED EXTENSION OF GENERAL VERBOIS' CONTRACT AS GENERAL MANAGER OF CEOA FOR AN ADDITIONAL 11 MONTHS. THE BELGIAN REP (DECORTE) CONFIRMED HIS PROPOSAL TO EXTEND VERBOIS' CONTRACT. AFTER SOME DISCUSSION AND RELUCTANCE ON THE PART OF THE FRENCH, IT WAS AGREED TO EXTEND THE CONTRACT TO 28 FEBRUARY 1979. PROCEDURES FOR SELECTION OF A SUCCESSOR TO THE GENERAL MANAGER WERE ALSO DISCUSSED, AND IT WAS AGREED THAT THIS SUBJECT WOULD BE TABLED AT THE NEXT REGULAR MEETING OF THE CEPPC AFTER A JOB DESCRIPTION FOR THE GENERAL MANAGER HAD BEEN DISTRIBUTED TO THE DELEGATES. WE ASSUME THAT RECRUITMENT WILL BE STARTED EARLY IN 1978.
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